

Wooden Bedroom Furniture from China

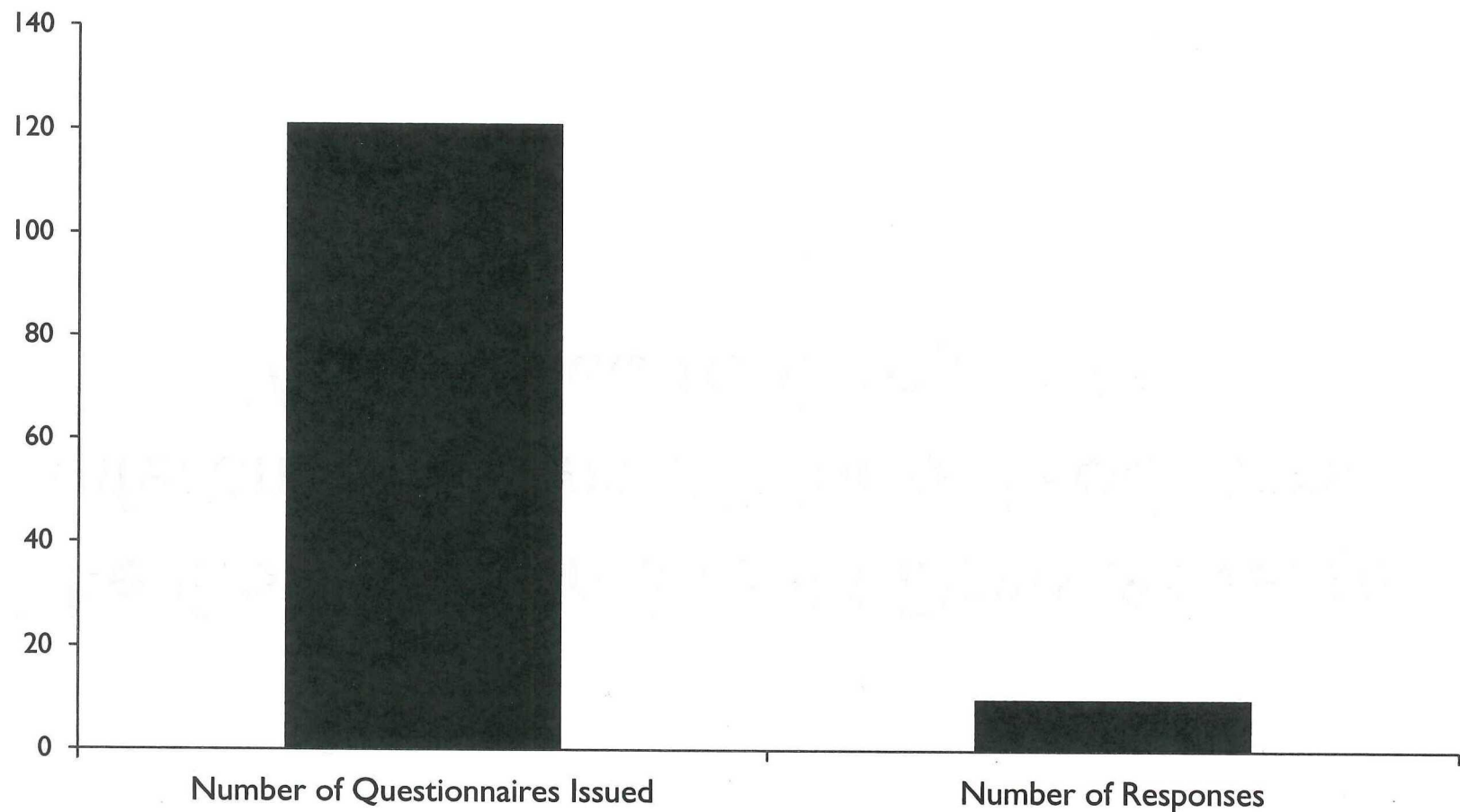
**King & Spalding
November 10, 2016**

Key Points in This Review

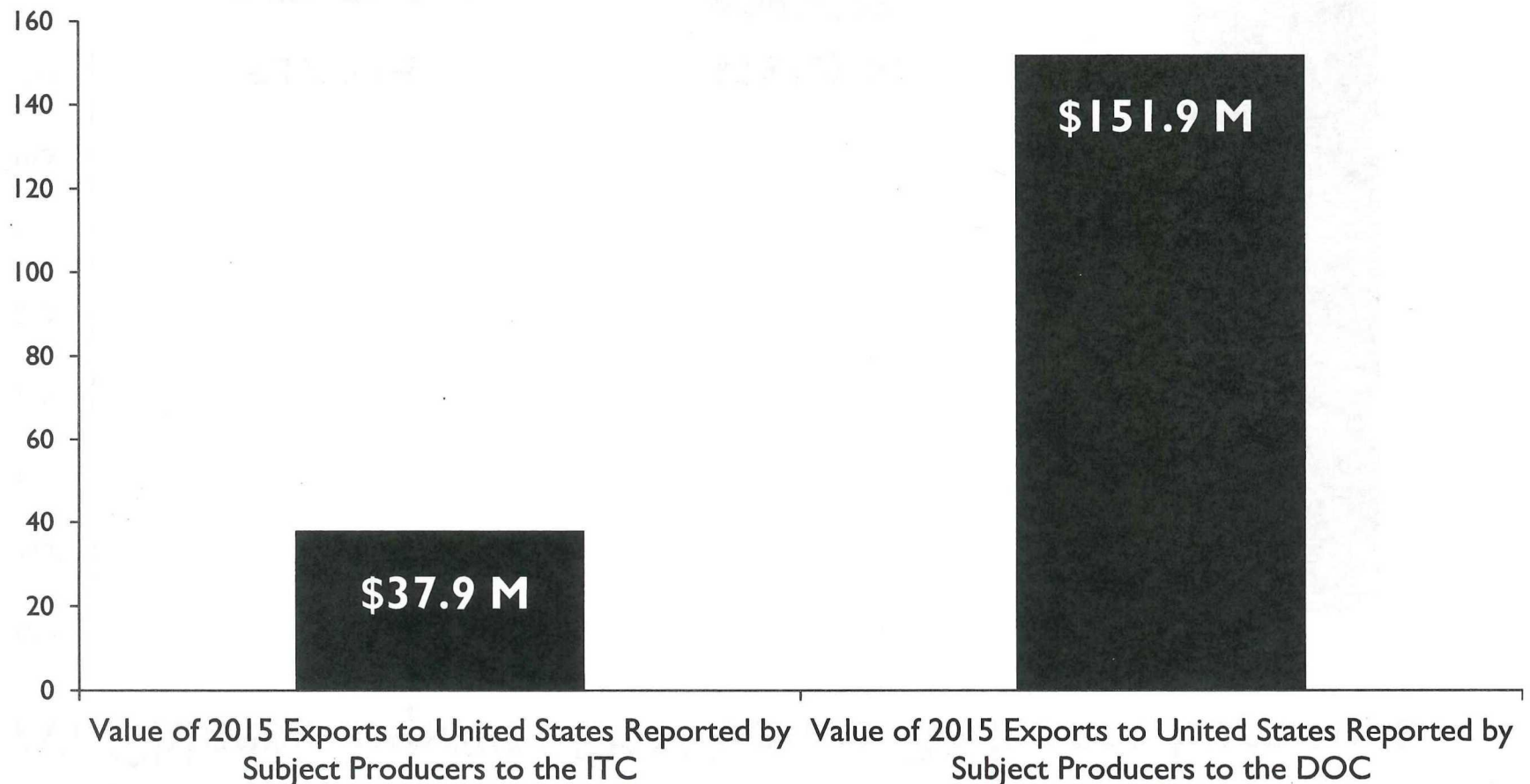
- Over 90 percent of subject producers that received questionnaires (including many producers active at the Department of Commerce) ***failed to answer the Commission's questionnaire***
- Chinese producers continue to ship massive volumes of wooden furniture to this market, and ***will flood this market with dumped wooden bedroom furniture*** if the order is revoked
- Competition in this market takes place largely on the basis of price, meaning that a ***new surge of unfair trade will have significant adverse price effects***
- While the order has been very effective, domestic producers remain ***extremely vulnerable*** to material injury
- Under these circumstances, revoking the Order would have ***devastating consequences*** for the domestic industry

**The Commission Should Draw Adverse
Inferences against Chinese Producers
Who Failed to Cooperate**

The Commission Sent Questionnaires to **121** Chinese Firms, but only **10** Responded

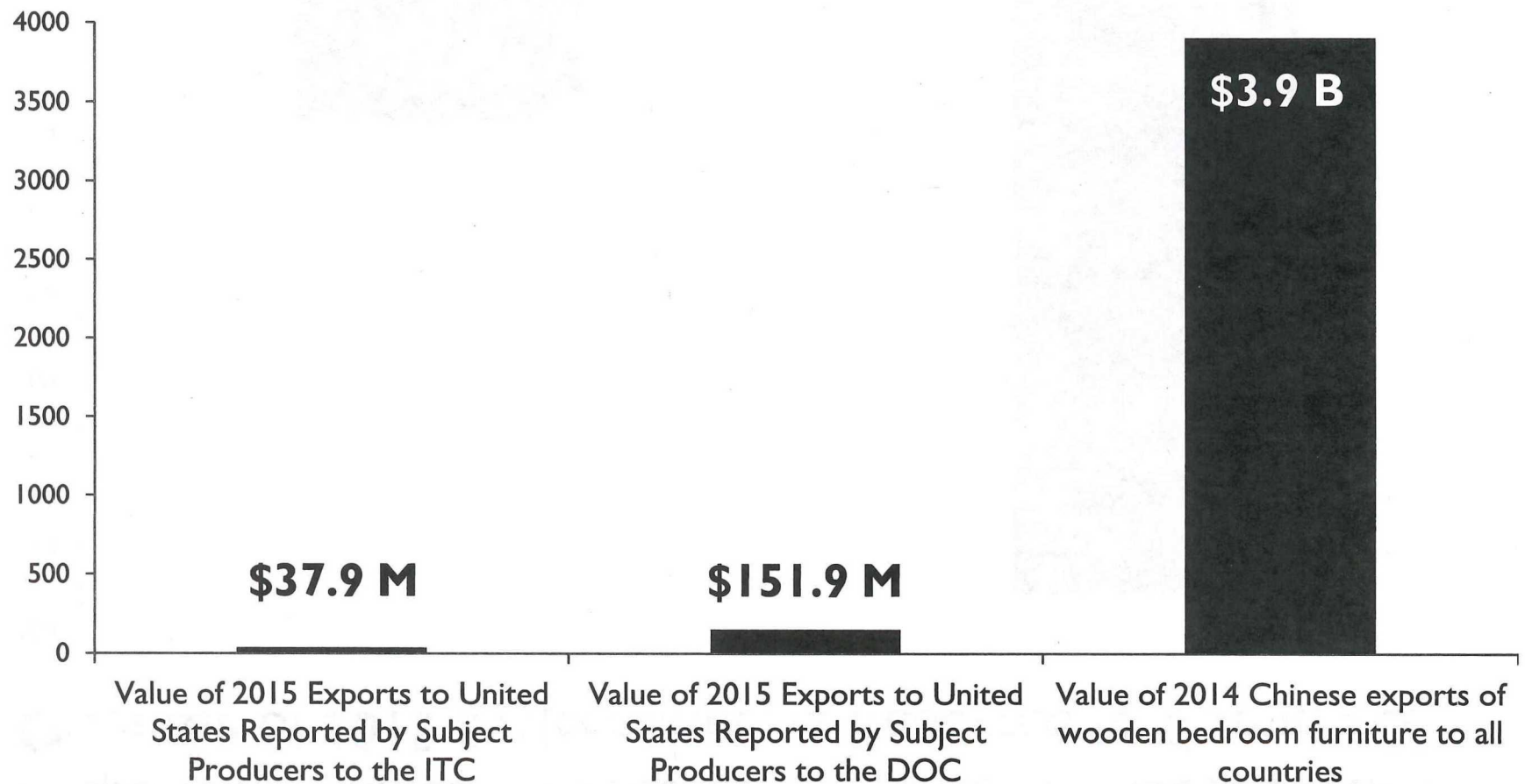


Responding Chinese Producers Accounted for **Less Than a Quarter** of 2015 Subject Imports Reported to Commerce



Source: For value of exports to United States from responding producers, see Prehearing Report at IV-10 (Public Version). For value of exports reported by subject producers to the DOC, see Domestic Producers' Pre-Hearing Br. at Exhibit I (Public Version).

Subject Exports to the United States Are A Fraction Of All Chinese Exports Of Wooden Bedroom Furniture

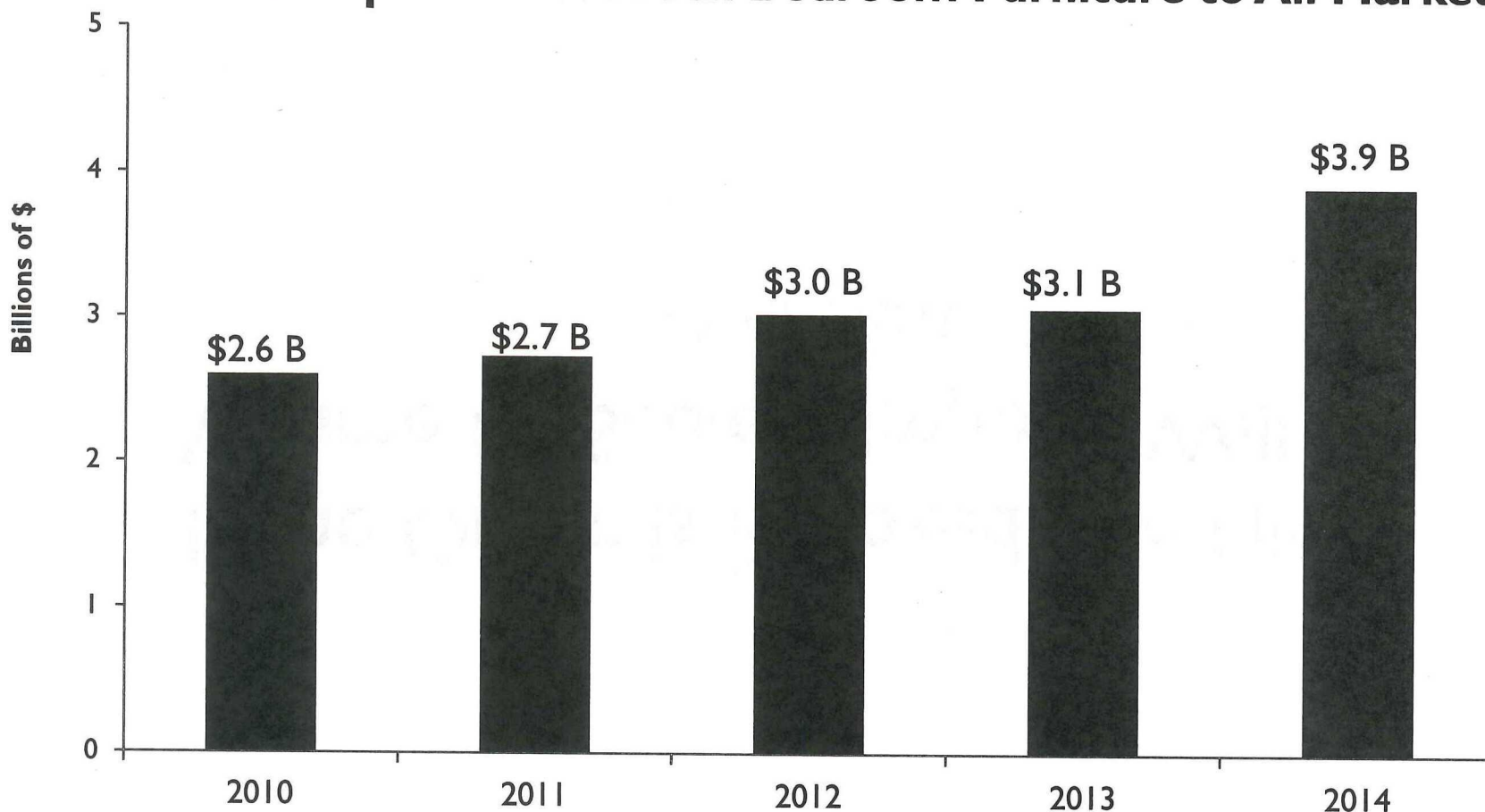


Source: For value of exports to United States from responding producers, see Prehearing Report at IV-10 (Public Version). For value of exports reported by subject producers to the DOC, see Domestic Producers' Pre-Hearing Br. at Exhibit I (Public Version). For value of Chinese exports of wooden bedroom furniture to all countries, see Prehearing Report at IV-13 (Public Version).

**If The Order Is Revoked, The Likely
Volume Of Subject Imports Will Be
Significant**

Since 2010, Chinese Exports of Wooden Bedroom Furniture Have Soared

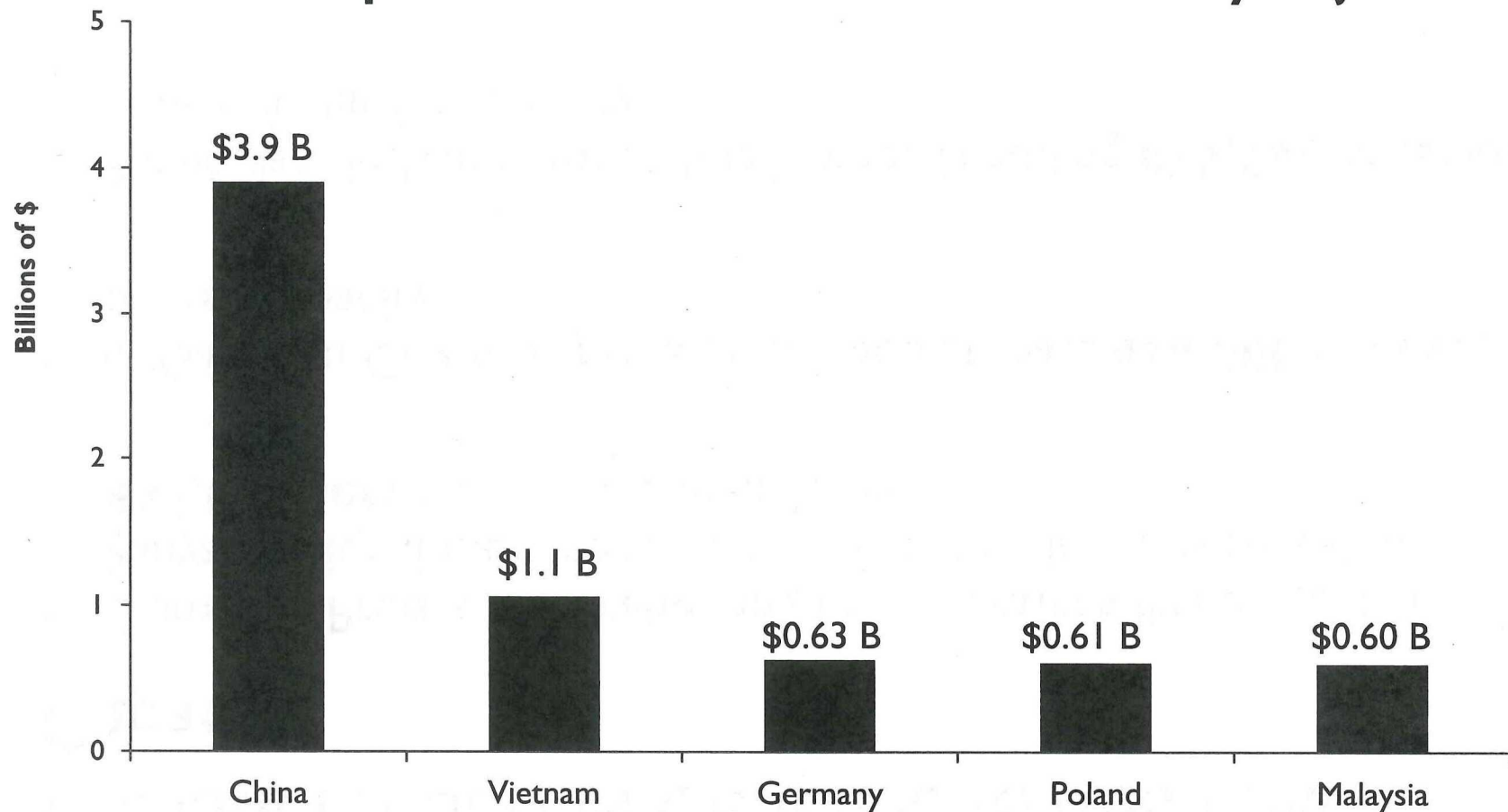
Chinese Exports of Wooden Bedroom Furniture to All Markets



Source: Prehearing Report at IV-13 (Public Version).

China Is By Far The World's Largest Exporter Of Wooden Bedroom Furniture

2014 Global Exports of Wooden Bedroom Furniture by Major Sources

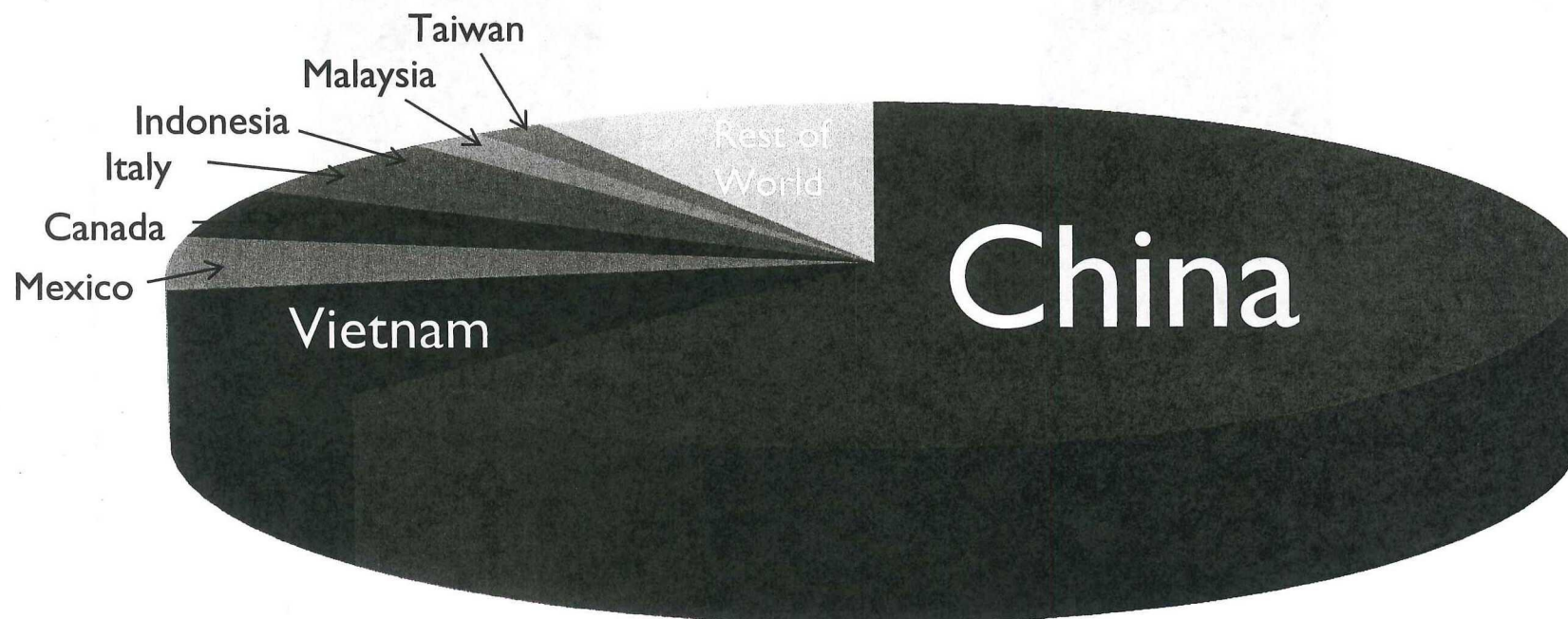


Source: Prehearing Report at IV-13 (Public Version).

Chinese Producers Continue To Add New Capacity

- Domestic Producers' Prehearing brief identifies five projects in Xinyang City alone where annual capacity will be increased to **445,000 sets/year** of wooden furniture
- In Ganzhou City, new projects will add at least **450,000 sets/year** of new capacity
- Public data indicates that Yihua Timber is adding **825,000 sets/year** of new furniture capacity
- Domestic Producers' brief also details examples of Chinese government support for furniture production, including export subsidies

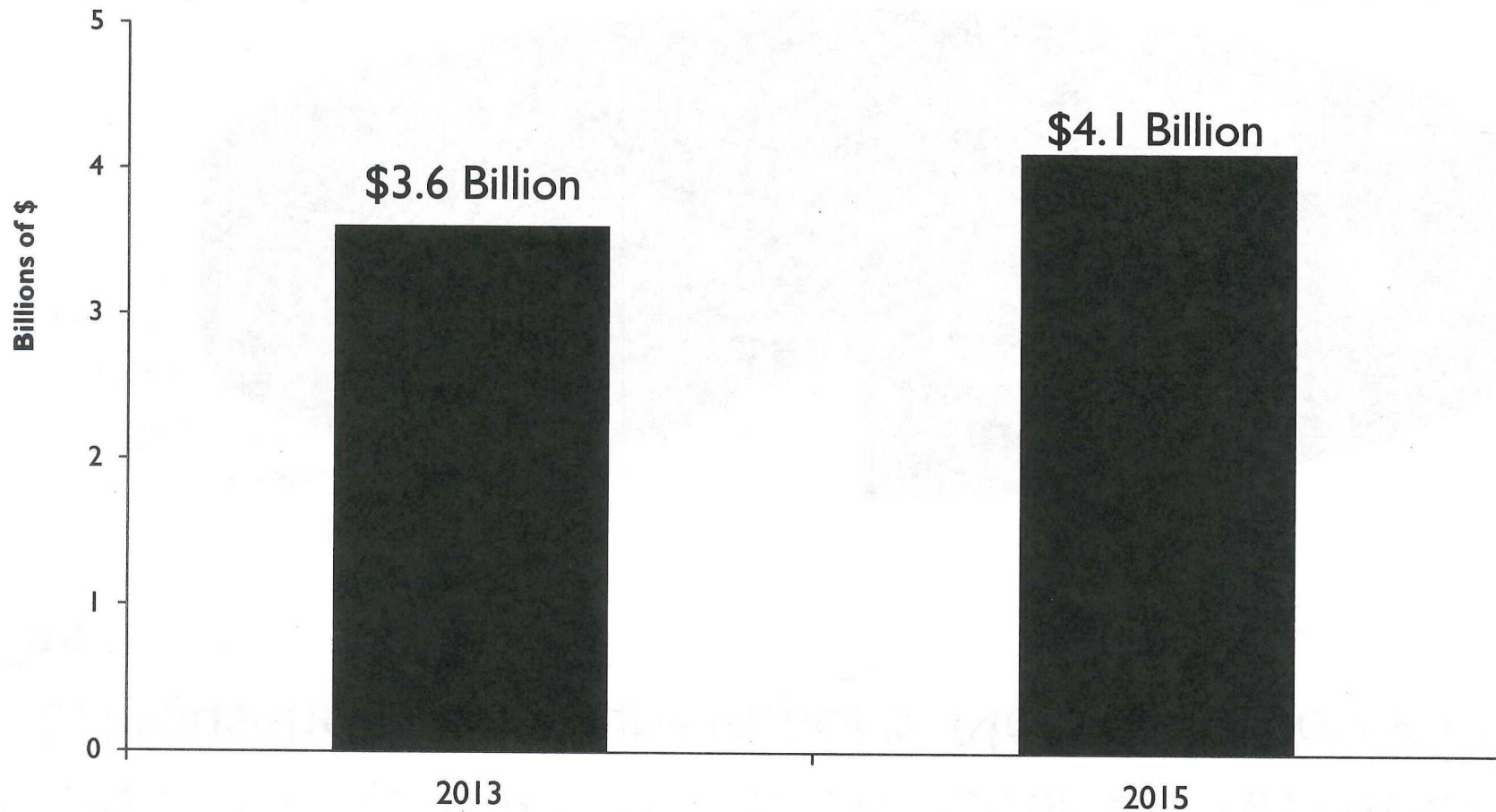
In 1H 2016, China Accounted For Over **60 Percent** Of U.S. Household Furniture Imports Not Covered By This Case



Largest Source Countries of U.S. Household Furniture Imports Other Than Wooden Bedroom Furniture

From 2013 to 2015, U.S. Imports Of Wooden Furniture From China Grew By **Half A Billion Dollars**

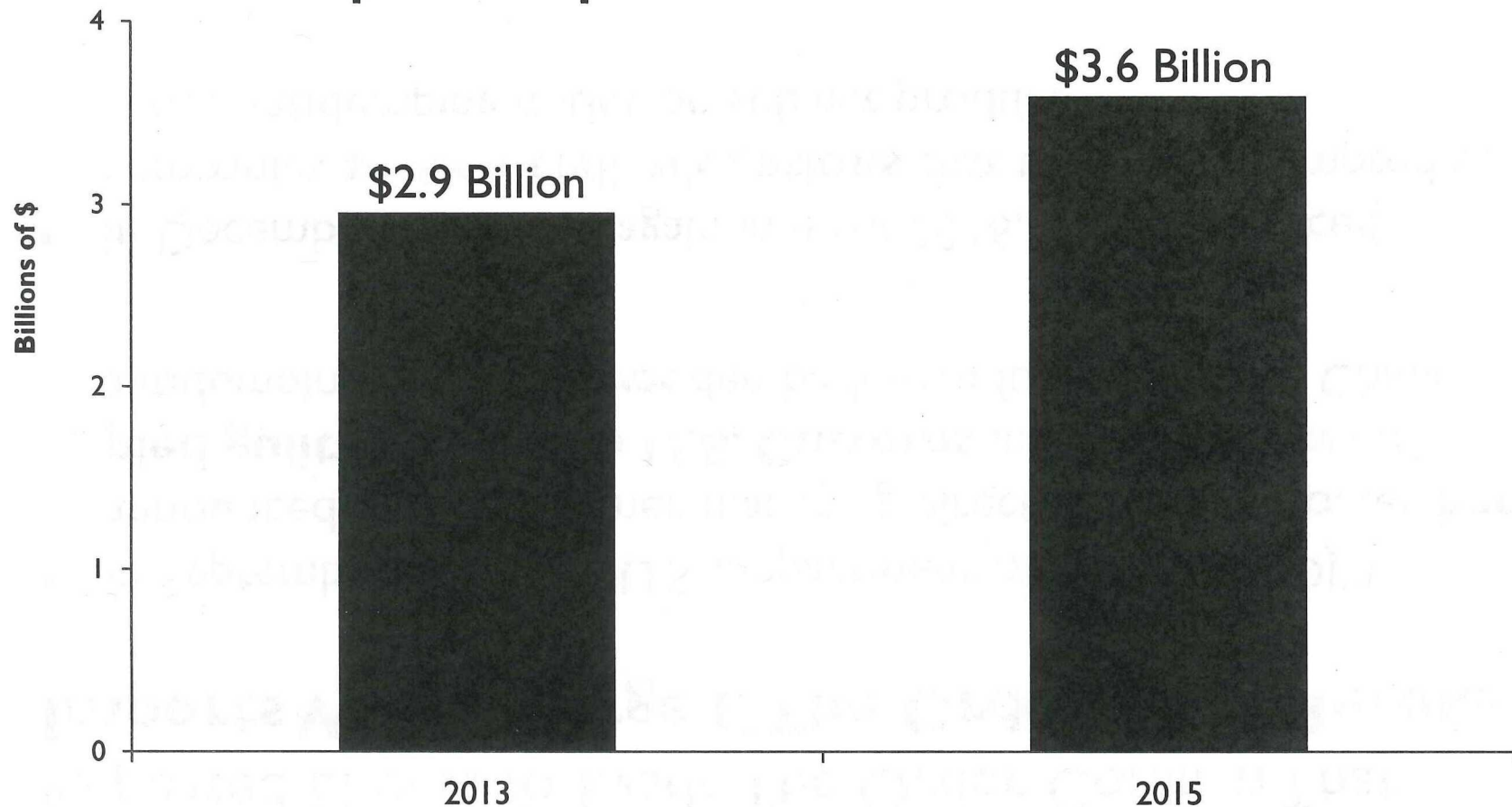
U.S. Imports of Wooden Furniture Other Than Bedroom Furniture from China



Source: Domestic Producers' Prehearing Brief at Exhibit 69 (Public Version).

From 2013 to 2015, U.S. Imports Of Upholstered Seats And Chairs From China Grew By **\$700 Million**

U.S. Imports of Upholstered Seats and Chairs from China



Repeated Efforts To Evade The Order Confirm That Imports **Would Surge If The Order Were Revoked**

- In September 2014, the U.S. Department of Justice (“DOJ”) announced that the former managing director of an importer **had pled guilty to lying to U.S. Customs** in an effort to avoid antidumping duties on wooden bedroom furniture from China
- In December 2015, and again in April 2016, DOJ announced companies **settled civil allegations** that they had attempted to evade antidumping duties on subject product
- Commerce repeatedly has provided U.S. Customs with **evidence of additional schemes** to avoid paying antidumping duties

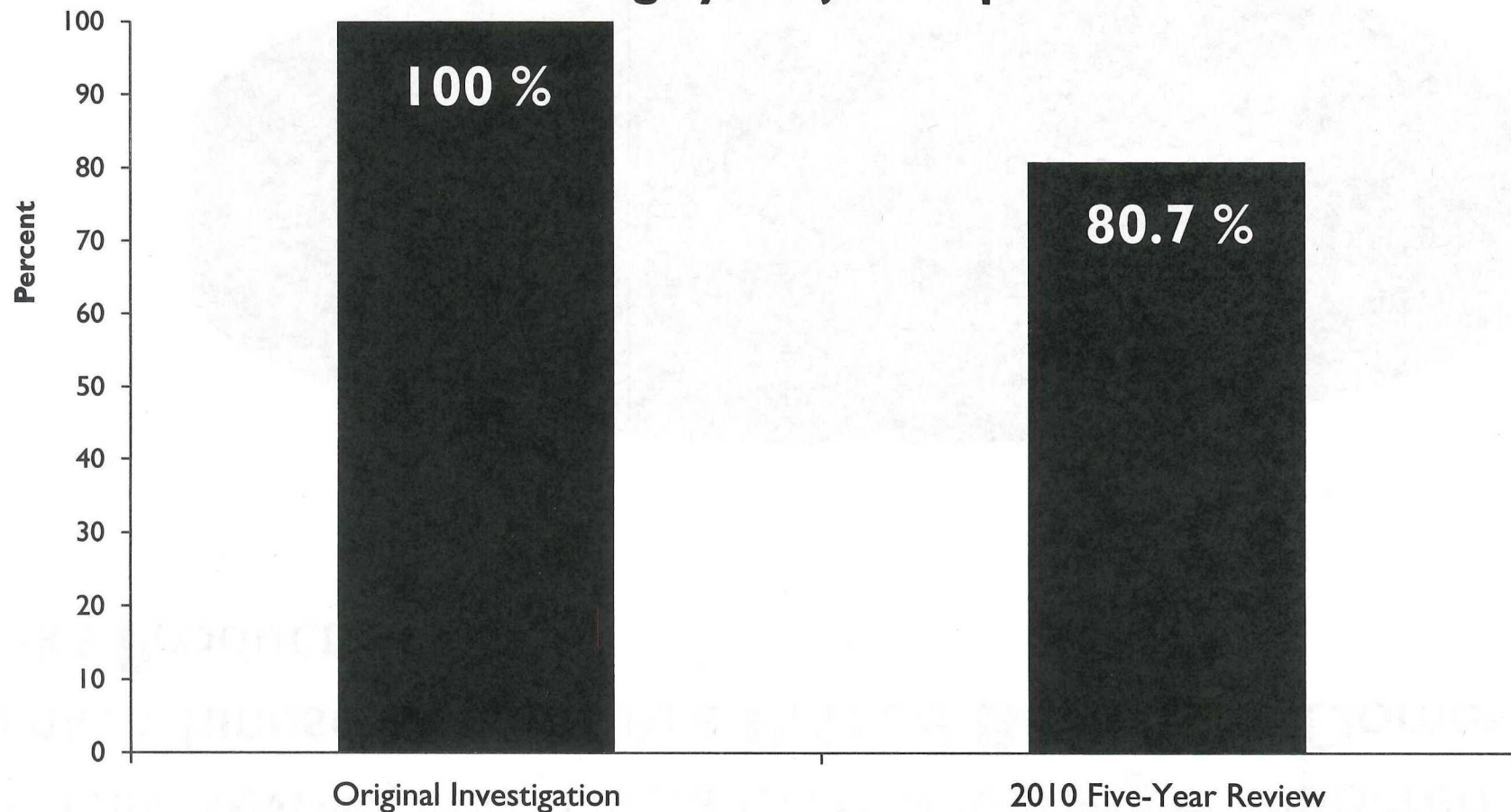
**If The Order Is Revoked, The Likely Price
Effects Of Subject Imports Will Be
Significant**

Pricing Data In The Prehearing Report Say Little About The Likely Behavior Of Subject Producers In The Event Of Revocation

- The vast majority of subject producers now face **dumping margins in excess of 200 percent**, which significantly alters their pricing in this market
- The Commission received pricing data from **only eight importers**, and the reported data accounted for only 3 percent of U.S. shipments of subject imports in 2015
- As discussed in Domestic Producers' Brief, there are problems with the pricing data
- Other record evidence compels the conclusion that revocation of the Order **would lead to significant adverse price effects**

There Was Massive Underselling During The Original Investigation And First Five-Year Review

Percent of Underselling by Subject Imports in Prior Proceedings



Source: Domestic Producers' Prehearing Brief at 56 and 58 (Public Version)..

In This Review, Purchasers Overwhelmingly Reported That Chinese Imports Are **Priced Below** the Domestic Like Product

Purchasers reporting that Chinese prices were comparable to U.S. prices

Purchasers reporting that Chinese prices were lower than U.S. prices

The Record Shows That Subject Imports Will Compete With The Domestic Product **On Price**

- When asked to rank factors used in purchasing decisions, ***more U.S. purchasers picked “price” than any other factor***
- 16 of 18 responding U.S. purchasers reported that “price” was ***very important*** in their decisions to buy wooden bedroom furniture
- **80 percent** of responding importers and purchasers reported that wooden bedroom furniture was “always” or “frequently” interchangeable with the domestic like product
- Thus, any new surge of dumped imports from China will force domestic producers to **lower their own prices or lose sales**

**If The Order Is Revoked, The Likely
Impact Of Subject Imports Will Be
Significant**

Critical Points Regarding Likely Impact

- The Order has been ***extremely effective***
- Nevertheless, domestic producers remain ***highly vulnerable*** to material injury due to factors beyond their control
 - Continued weakness in demand
 - Competition from non-subject imports
- Under these circumstances, revoking the Order would have ***devastating consequences*** for the domestic industry

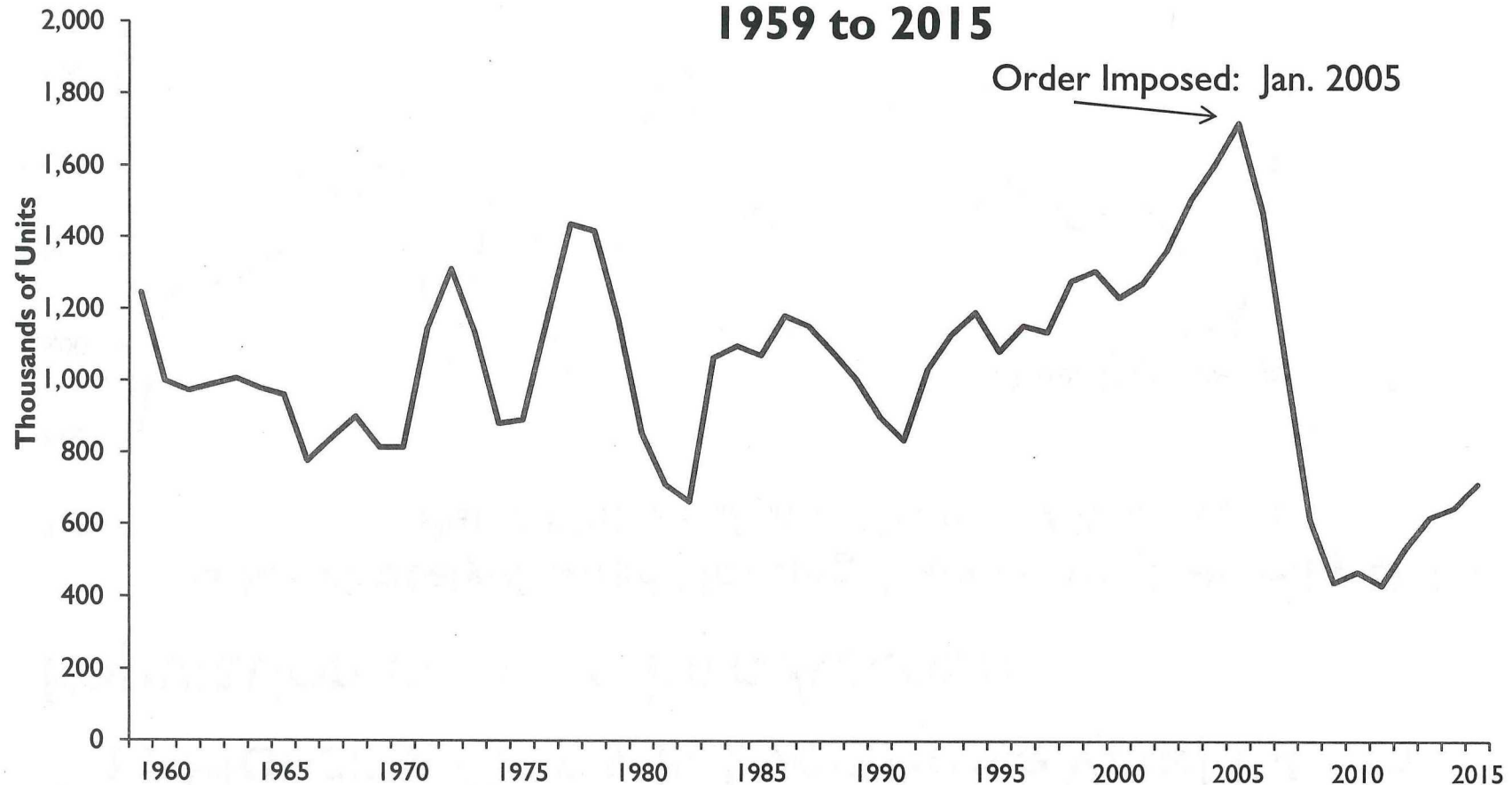
U.S. Imports of Wooden Bedroom Furniture Have Fallen Dramatically Since Trade Relief Was Imposed



Source: U.S. Census Bureau.

Demand Has Been Depressed By A Weak Housing Market

U.S. Privately-Owned Housing Starts – Single-Family Units, 1959 to 2015



Source: Prehearing Brief at Exhibit 71 (Public Version).

The Housing Crisis Is Even More Vivid When Population Is Taken Into Account

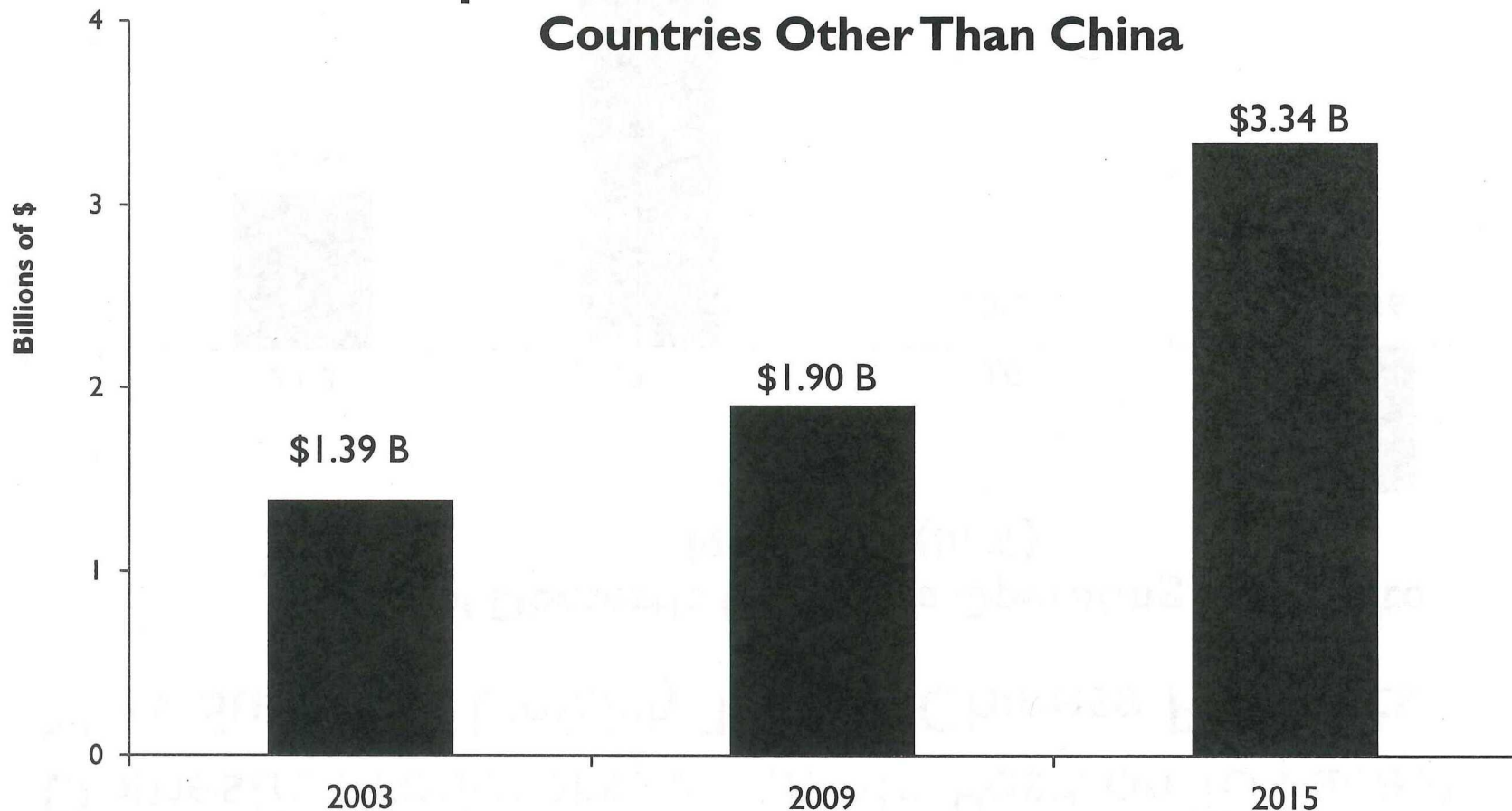
U.S. Privately-Owned Housing Starts – Single-Family Units – Per 1 Million U.S. Citizens, 1959 to 2015



Source: Prehearing Brief at Exhibit 71 (Public Version).

Meanwhile, Domestic Producers Are Vulnerable Due To Competition From Non-Subject Sources

U.S. Imports of Wooden Bedroom Furniture From Countries Other Than China



Source: Data for 2003 and 2009 from Prehearing Report at I-8 (Public Version). Data for 2015 from ITC Dataweb.

Domestic Producers Are In No Position To Face A New Surge Of Unfairly Traded Chinese Products

